IP in the automotive sector

1. The automotive sector in Latin America

"The automotive industry is equivalent to 22% of Brazil’s industrial gross domestic product (GDP), 4% of Brazil’s total GDP, and worldwide it should reach 100 million vehicles sold by 2020."

Source: Gerpisa

Automotive manufacturing is one of Europe’s most relevant industrial activities and involves collateral sectors accounting for millions of jobs, large sums of investments and a significant part of the region exports.

According to the study "Latin America Passenger Vehicle Market outlook, 2019", the Latin American market will keep growing, mainly pushed by Brazil, reaching 5.72 million units, with a 4.3% growth from 2018 (Source: Research and Markets).

Brazil is the largest market and the largest producer of automotive vehicles in the region of South America. Only in 2018, Brazil accounted for around 50% of the vehicles sold in the region. Their new vehicles sales increased by 5.2% to 2.87 million units in 2018, from 2.69 million units in 2017 (Source: Mordor Intelligence).

Moreover, according to some experts, the automobile industry is enjoying a prosperous period: access to credit, economic stability and low interest rates have increased consumers’ trust, leading to a boost in automobile sales. Brazil and Mexico are the strongest industries in the Region. Particularly, Brazil has been able to transform an industry focused on manufacturing and adaptations into a truly innovative one, whereas in Mexico companies are expanding their value chain locally to foster competitive advantages in order to expand their production and export capabilities (Source: The Automobile Industry in Latin America: assessment of the conditions for sustainable development).

Oliver Wyman’s South American Auto Manufacturing report also draws some relevant conclusions to be taken into account:
Brazilian and Argentinean authorities have lured both foreign investors and other industries by creating a variety of incentives.

As vehicle manufacturers establish operations in increasingly remote locations, they’re counting on their suppliers to provide comparable value to other regions. In South America, for example, 17% of major modules are assembled in supplier parks next to vehicle assembly plants.

Protection policies in Brazil and Argentina are giving local suppliers further competitive advantage over suppliers located abroad.

Finally, consumers have played a role in heightening South American Original Equipment Manufacturer’s (OEM) need for local supply base, as they want modern and high-quality products tailored to their lifestyles.

2. Why is IP important in the automotive sector?

It is undeniable that automotive is an innovative sector. Most companies involved in it devote an important part of their budget to R&D and to placing their brand in the minds of consumers by creating attractive cars or catchy slogans.

Such research and marketing efforts are clearly reflected in the huge amounts that car manufacturers spend in some of the most reputed racing competitions in the world such as Dakar, F1 World Championship, 24h of Le Mans, FIM Road Racing World Championship or the World Rally Championship.

None of them would have spent such amounts had they not been able to recoup their investments, and that is how Intellectual Property Rights (IPRs) could help companies in the automotive sector.

IPRs are exclusive rights that grant their owner the possibility of excluding third parties from using their inventions, brands, names or designs, among others, subject to certain conditions—namely, their registration. In addition, registering your IPRs provide you with a wide range of exploitation alternatives such as licensing, selling or franchising them.

Since they are territorial rights, your registration in Europe will not extend the protection of your intangibles to Latin America. Hence, if you are planning to do business in Latin America, you should be interested in learning a bit more about IPRs in the region.

This Factsheet gives you some clues on the most relevant IPRs for the automotive sector: Patents, Designs, Trademarks and Trade Secrets, with a special focus on Brazil, Colombia, Mexico and Chile.

3. What and how to protect

A. Patents

The latest developments in electric and smart cars areas represent a boost in innovation barely comparable to any in the recent history of automotive industry and entail a series of challenges for IP management and protection derived from the need of interoperability. Should you need more information on specific challenges related to interoperability, please read our FS on IP and Internet of the Things (available soon).

Patent protection has been used all along the automotive history, from the very first combustion engines in late XIX century to the latest innovations in electric cars or self-driving, through other innovations during XX century such as windscreen wipers or safety systems like airbags or ABS.

At the European Patent Office, nearly 18,000 patents on self-driving vehicles were filed over the last ten years, according to their study “Patents and self-driving vehicles” carried out with European Council for Automotive R&D (EUCAR). Annual applications in 2017 (nearly 4,000 patents) increased 330%, compared to 2011. According to the same study, Samsung Group and Intel Corp. are the top applicants of self-driving vehicles’ patents at the EPO.

The automotive sector ranked 3rd in number of Patent applications, just behind computing and telecoms, and moreover shows the worldwide highest increase out of any sector in the period 2009 - 2013 (Source: The State of Innovation in the Automotive Industry 2015) including subsectors like propulsion, navigation, handling, safety & security and entertainment.

Thus, protecting your Patents in Latin America and avoiding infringing third parties’ Patents is key to succeed in the Latin American markets.

FREEDOM-TO-OPERATE

Having your supplies on time is almost mandatory in chain-production based industries. Therefore, in order to avoid the undesirable situation of your supplies being stopped or seized at customs, we strongly recommend you to conduct Freedom-To-Operate (FTO) analysis of your exports to Latin America.

A FTO is an analysis performed by an IP expert who assesses whether or not your products are likely to infringe third parties’ Patents.

Patent requirements

Patent protection is granted to inventions, i.e. technical solutions to problems, including products, processes or uses that fulfill the following requirements:

Novelty: An invention shall be considered new when it is not included in the state of the art. The state of the art comprises everything that has been made available to the public by written or oral description, by use or marketing or by any other mean prior to the filing date of the Patent application or, where appropriate, the recognised priority date.

Inventive step: An invention shall be regarded as involving an inventive step if, for an expert with average skills in the technical field concerned, the said invention is neither obvious nor obviously derived from the state of the art.
Industrial applicability: An invention is deemed industrially applicable when its subject matter can be produced or used in any type of industry. In this context, industry includes all productive activity, including services.

**GRACE PERIOD**

In contrast to Europe, many Latin American countries establish a 12 months grace period by law. This means that certain disclosures of the invention will not be taken into account when evaluating the novelty and inventiveness of your application. Should you need further information on grace period and its requirements, please contact our free, fast and confidential Helpline.

Apart from these substantive requirements, a Patent application has to meet other formal requirements:

- **Unity:** the set of claims (see Glossary) has to be referred to the same invention. In case that two or more inventions are included in the same application, you will be requested to divide your applications into as many inventions are included within the application.

- **Clarity and sufficiency:** avoid unclear or vague terms that could bring some uncertainty as to what it is the scope of protection pursued. At the same time, the application must include sufficient information in order to allow any third party to implement the claimed invention.

- **Support in the description:** the claims should be based on the Patent description (i.e. the application could not claim protection for inventions not included within the description); therefore, when planning to file Patent applications in different countries, please ensure that the description is broad enough to comprise the entire invention an also eventual modifications of the claims on each country.

Although, generally speaking, failing to comply with these formal requirements does not automatically render the Patent invalid, it might entail to amend your application or reduce the Patent scope, leading to overcosts and delays in the granting procedure.

**Patent life**

As a general rule, Patent life lasts for twenty years counted from the application date. However, you have to take into account that Patents should be renewed (usually on a yearly basis) through the payment of maintenance fees.

**Applying for a Patent**

Inventors traditionally file at their National Offices and then subsequently abroad. Extending your protection to Latin American countries could be done by either of these two means:

- File a national Patent application in the countries of interest; or,
- File a Patent Cooperation Treaty (PCT) application. According to the *World Intellectual Property Indicators 2018*, in 2017, 243,500 PCT applications were filed which represents an increase of 4.5% growth compared to the previous year.

The PCT allows you to apply for registration simultaneously in every member country (152 members) with a single application. Benefits:

- **Time:** you would be provided with up to 30/31 months from the application date to decide whether you apply for Patent protection for your inventions in Latin American countries or not without the risk of jeopardizing your Patent’s novelty. In the meantime, you can find partners, financial resources and improve the business structure.

- **Proceedings:** the first part of the proceedings takes place at WIPO and the second at each designated National Office, which simplifies the proceedings. By rightly filing your PCT application, you ensure that none of the National Offices reject your application due to formal deficiencies.

- **Language:** you can apply for your Patent in German, Arabic, Korean, Chinese, Spanish, English, French, Japanese and Russian. Depending on the receiving office, you might be requested to provide a translation to the language of receiving office.

Generally speaking, the more countries you aim to be covered by your Patent, the more interesting it is filing a PCT application. Nevertheless, although Brazil, Colombia, Chile and Mexico are members of the PCT, not all countries are (Argentina, Bolivia, Paraguay, Uruguay and Venezuela have not ratified the Treaty).
SPEEDING UP YOUR APPLICATION THANKS TO PPH

It takes around two to four years to get a Patent granted in Colombia, Chile or Mexico. In Brazil, a serious backlog delays the examination of applications leading to 10-years granting periods. However, you can get your Patent granted in a faster way thanks to the Patent Prosecution Highway (PPH).

The Patent Offices of Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay launched the Patent Prosecution Highway (PPH) Pilot Program in order to accelerate the examination procedure by using the examination results issued by one of the Patent Offices (Earlier Examination Authority) when examining an application with the other countries’ Patent Office (Later Examination Authorities).

Similarly, there is a PPH for the Alianza del Pacífico between Chile, Mexico, Colombia and Peru.

In addition, there is a PPH Pilot between the European Patent Office (EPO) and Brazil, Colombia or Mexico, from which applicants of a European patent can benefit.

In Brazil, proceedings can be accelerated under certain conditions (check our Factsheet How to accelerate your Patent in Brazil).

Should you need more information on how to benefit from PPH agreements, contact our Helpline. Our experts will be happy to freely assist you.

Should you need more information on Patents, take a look at our video IPR as a tool for internationalization: Patents, read our “Country Factsheets” on Argentina, Bolivia, Brazil, Central America, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela or contact our Helpline.

B. Industrial Designs

In the automotive industry, Industrial Design (or Design) rights are an important tool to protect not only the overall look of a car, but also spare parts (such as alloy wheels, bumpers or the grill of a car). The infringement of Design rights have led in many cases to litigation all over the world being the JEEP grill design infringement or the FERRARI and the HUMMER body design infringement some of the most notorious cases.

3D PRINTERS: A CHALLENGE

The availability of 3D printers, that could be used to print car parts and therefore simplying their copy, makes even more important to rightly protect the external appearance of the key features and parts of your cars and vehicles by means of Designs.

What is a Design?

A Design is a right over the appearance of a product -in our case, a car or a part or component of it-, including the shape, patterns and even colours. In the automotive sector, you can protect the design for an automobile, vehicle wheel rims, seats, motor scooters, quads, motor vehicles, bumpers, grilles for automobiles, front combination lamps, dashboard panels, lighting equipment for vehicles or interior fittings, among other products.

Some Tips on Designs in Latin America

The term, requirements and their assessment slightly differs from country to country:

- Novelty: generally speaking, a Design shall be considered to be new if no identical Design has been made available to the public before the date of filing of the application for registration.

- Originality: (in Brazil) a Design will be considered original when it has a distinctive visual configuration, compared to pre-existing objects.

- Industrial applicability: (in Mexico) the object can be produced or used in any type of industry.
IP in the automotive sector

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* Substantive examination *: Voluntary
* Yes
* No
* Yes

* Maximum duration: 25 years
* 10 years
* 10 years
* 25 years

* Grace period: 180 days
* 6 months
* 12 months
* 12 months

* Length of registration proceedings **: 8-12 months (without substantive exam)
* 18-24 months
* 15-20 months
* 3 years

* Through substantive examination IP offices assess whether or not the application fulfils the substantive requirements –i.e. novelty, originality and/or industrial applicability–.

** Based on practitioners’ experience

Application

None of the Latin American countries are members of the Hague Convention. Therefore, if your company is interested in applying for a Design in any of these countries, you will not be able to extend your international registration to them. In these cases, a separate national IPR registration will be needed.

Should you need more information on Designs, take a look to our Factsheets on Designs in Uruguay and Designs in Brazil, read our “Country Factsheets” on Argentina, Bolivia, Brazil, Central America, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela or contact our Helpline.

Case study

Background

Biliandry, GmbH, a company in the automotive sector, filed and registered an industrial design for car lighter adapters before the European Union Intellectual Property Office (EUIPO) on 31/09/2013. Within the time limit of six months it extended its design to several countries in Latin America, including Brazil, Mexico, Chile and Colombia, among others.

Biliandry, GmbH, found out thanks to one of its distributors in Chile that a company from Peru (which has been in negotiation with the German company to sell these products in Chile) has recently been offering and selling a product in April 2017, which is identical to the registered industrial design.

Outcome:

The Chilean Courts had to rule whether the industrial design was invalid as per the Peruvian disclosure or not before ruling about the infringement. In particular, it held that:

- The registered design was new and the differences between the earlier design and the registered design were enough to exclude the invalidity of the registered design. In addition, since the application in Chile was filed within 12 months from the disclosure, Biliandry could have also benefited from the 12 months grace period.

- As the registered design was valid and still in force, the court ruled that the claimant was entitled to stop the commercialization of the products and awarded damages.

Lessons learned:

Sign non-disclosure and confidentiality agreements to prevent undue disclosures.

Designs protection, requirements and terms differ from country to country.
C. Trademarks

When you think of names such as BMW, Ferrari, Peugeot or Fiat, a bunch of ideas, characteristics, attributes or even emotions come to your mind. That is why it is important to protect your brand as a Trademark. This is not only true for vehicles’ manufacturers, but also for car parts (Pininfarina, Sparco or Michelin) and supplies (Castrol or Repsol).

In addition, the name or alias of some of the most iconic models-like Testarossa or Gullwing- also deserve Trademark protection. In recent times, some car manufacturers have used old models’ names and styles to produce new models inspired by them, such as VW Beetle, Mini Cooper or Fiat 500.

What is a Trademark?

A Trademark is a sign that identifies and distinguishes the products or services of one company from those coming from another company. They allow companies to prevent other competitors from using the same or a confusingly similar Trademark.

Trademark protection

A registered Trademark gives the owner an effective tool to prevent third parties from selling counterfeited parts or components in the Latin America countries.

We cannot forget that counterfeited automotive parts usually do not meet the technical specifications and requirements of the manufacturer, and might represent a risk for the health and safety of car users -just think in seat belts, wheels, diagnostic equipment or brake rotors, for example- Hence, counterfeiters are potentially not only harmful at a reputational level.

Applying for a Trademark

Before filing the Trademark application, conducting a search is advisable to assess if the sign is available for registration in the country in which the owner seeks protection. If you want to know more about Trademark Searches, you can take a look at our FS How to Conduct a Trademark Search in Brazil or our “Trademark Registration Guides” in Argentina, Brazil, Chile and Uruguay and our “Country Factsheets” on Bolivia, Central America, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, and Venezuela or contact our Helpline.

In Latin America, only Mexico, Colombia, Cuba and Brazil (from October 2019), are members to the Madrid System – the International Trademark System-. In the rest of countries, you will not be able to extend your International Trademark and, consequently, you will have to file your application on a country-by-country basis.

For more information on how to register your Trademark in a given Latin-American country, we strongly suggest you to take a look at our video IPRs as an internationalisation tool: Trademarks, check our “Trademark Registration Guides” in Argentina, Brazil, Chile and Uruguay and our “Country Factsheets” on Bolivia, Central America, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, and Venezuela or contact our Helpline.

D. Trade secrets

You could also consider protecting part of your innovative efforts as Trade Secrets, particularly those developments which you aim to Patent until the moment of filing your application, as well as other technical solutions that are difficult to copy through reverse engineering. Clients or providers’ lists or terms and conditions and know-how can also be protected as a Trade Secret.

The main advantages of Trade Secrets is that their term is not limited in time, as long as the confidential information is not disclosed. In addition, Trade Secrets do not require registration and are enforceable in any part of the world where it is infringed.

Generally speaking, the requirements for its protection are:

1. The information should always be secret, which means that it should not be generally known or readily accessible to people outside the SME.
2. The information must have commercial value- or at least potential commercial value- for the SME because of its secrecy. This commercial value could be any economic, financial or commercial cost saving, benefit, or advantage that the secret information provides to the SME over its competitors. Brazil, however, does not require commercial value to protect the information by means of a Trade Secret.
3. The information must have been “reasonably protected” by the SME. For example, if the Trade Secret is related to a production process, such process should take place out of non-company personnel’s sight. Likewise, it is highly recommended to sign a Non-Disclosure Agreement (NDA) with any person to whom all or part of the secret information is given (including employees, potential business partners, etc.) as well as taking further organizational and technical measures to restrict access to the information.

In Latin America, Trade Secret protection is governed by Unfair Competition, Tort, or Contract Law. Should you need to deepen your knowledge in Trade Secrets protection, read our FS in Trade Secrets in Chile, Trade Secrets in Argentina and Trade Secrets in Brazil or contact our experts through our Helpline. They will be pleased to support you in Spanish, English, German, French or Portuguese.
4. Glossary

First to file system: is the system which gives the right to a Patent or a Trademark to the first legal or natural person that files a Trademark or Patent application for protection of a sign or an invention.

Claim: Part of a Patent application or specification. Defines the matter for which protection is sought in terms of technical features.

Non Disclosure Agreements (NDAs): They are confidentiality agreements where parties commit not to disclose certain information, except under the agreed conditions. They are particularly relevant to protect trade secrets and patent and design's novelty and inventive step.

5. Related links & additional information

Find out more about Intellectual Property Rights in Latin America, visit the Latin America IPR SME Helpdesk website: www.latinamerica-ipr-helpdesk.eu

Links of interest:


Factsheets

Trade Secrets in Brazil: http://www.latinamerica-ipr-helpdesk.eu/content/trade-secrets-brazil

Trade Secrets in Argentina: http://www.latinamerica-ipr-helpdesk.eu/content/trade-secrets-argentina

Trade Secrets in Chile: https://www.latinamerica-ipr-helpdesk.eu/content/trade-secrets-chile

IP Country Factsheet

Argentina: http://www.latinamerica-ipr-helpdesk.eu/content/argentina-ip-country-factsheet

Bolivia: http://www.latinamerica-ipr-helpdesk.eu/content/bolivia-ip-country-factsheet

Central America: https://www.latinamerica-ipr-helpdesk.eu/node/29917

Chile: https://www.latinamerica-ipr-helpdesk.eu/content/chile-ip-country-factsheet

Colombia: http://www.latinamerica-ipr-helpdesk.eu/content/colombia-ip-country-factsheet

Costa Rica: http://www.latinamerica-ipr-helpdesk.eu/content/costa-rica-ip-factsheet

Cuba: https://www.latinamerica-ipr-helpdesk.eu/content/cuba-ip-country-factsheet

Dominican Republic: http://www.latinamerica-ipr-helpdesk.eu/content/dominican-republic-ip-factsheet

Ecuador: http://www.latinamerica-ipr-helpdesk.eu/content/ecuador-ip-country-factsheet

Mexico: http://www.latinamerica-ipr-helpdesk.eu/content/mexico-ip-factsheet

Paraguay: http://www.latinamerica-ipr-helpdesk.eu/content/paraguay-ip-country-factsheet

Uruguay: http://www.latinamerica-ipr-helpdesk.eu/content/uruguay-ip-country-factsheet

Peru: http://www.latinamerica-ipr-helpdesk.eu/content/peru-ipcountry-factsheet

Venezuela: http://www.latinamerica-ipr-helpdesk.eu/content/venezuela-ip-country-factsheet
The Latin America IPR SME Helpdesk offers multilingual services (English, French, German, Spanish and Portuguese¹), with free information and first-line legal advice on IP related subjects, as well as training, webinars and publications, especially designed for EU SMEs.

**HELPLINE** First-line advisory service on IP protection and enforcement for EU SMEs working or planning to operate in Latin America.

**TRAINING** Targeted trainings and webinars on IPR protection and enforcement for EU SMEs (including sector-specific approaches).

**IP CONTENT** State-of-the-art publications (factsheets, learning modules, videos, IP glossary, infographics, case studies and newsletters) on the protection and enforcement of IPR in Latin America – specifically addressing IP matters from the SME business needs point of view.

**AWARENESS RAISING EVENTS** Participation in events attended by EU SMEs to increase the awareness of IP and of the visibility of the services provided by the Helpdesk.

**IP ANALYSIS** Analysis of IP challenges faced by EU SMEs in the target markets.

**IP DIAGNOSTIC TOOLKIT** Toolkit for self-evaluation of the IP-status of the user in terms of IP knowledge and management.

**IP COST TOOL** Online tool that allows the user to pre-evaluate the costs related to IP management in every Latin American country covered by the Helpdesk.

¹The language offer will depend on the specific service and experts’ availability.

If you have any queries on how to protect your Intellectual Property in Latin America contact our Helpdesk service: helpline@latinamerica-ipr-helpdesk.eu
+34 96 590 9684
Working Hours: Monday - Friday 9:00 - 16:30 (CEST)

If you want more information on additional free services offered by the Helpdesk contact the coordination team: info@latinamerica-ipr-helpdesk.eu
University of Alicante, Campus San Vicente del Raspeig, Edificio Torre de Control, 03690 Alicante, Spain +34 96 590 9684

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